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A PUBLICATION FROM THE BONNEVILLE POWER ADMINISTRATION

# Journal

[Click here for past Journals.](#)*April 1998*

## Table of contents

### News stories:

- [Cost Review revises recommendations](#)
- [BPA outlines "slice" principles](#)
- [BPA and NWPPC defer review of resource policies](#)
- [BPA delivers power back to Canada](#)
- [Issues 98 process begins in May](#)
- [IndeGo on hold](#)
- [Fish operations begin in April](#)
- [Three Sovereigns release drafts](#)
- [California begins deregulation](#)
- [NW drafts restructuring legislation](#)
- [Administration issues electricity plan](#)
- [BPA proposes new line](#)

### Public involvement

- [Status reports](#)
- [Close of Comment](#)

### How you can get involved

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## Cost Review revises recommendations

The Cost Review Management Team revised its earlier recommendations for energy conservation and renewable resources when it recently issued its final [BPA cost cut recommendations](#) earlier this month.

They added back about \$13 million in annual spending for BPA's future investments in energy conservation and renewable resources in response to public concerns. The team said BPA should continue contributing to the development of a market for energy-conserving products and services, reduce the cost of ongoing conservation projects and staffing, and continue financing a program to weatherize the homes of low-income people. The team also recommended that BPA continue to support three already planned renewable energy projects as well as data collection, research and development of renewable resources. The other recommendations remained the same as the draft recommendations issued in January. (See Feb. 1998 Journal.)

BPA and the [Northwest Power Planning Council](#) worked cooperatively with the five outside executives to develop the recommendations. The five outside executives were Curtis Bostick, a Florida personal investment manager who serves on the board of two electric cooperatives in Florida; Charles Collins, president of Colspur West Corp. and chair of the Comprehensive Review of the Northwest Energy System; Robert J. Lane, former president of the corporate banking group at U.S. Bancorp; Rosemary Mattick, vice president of procurement and supply management for the Weyerhaeuser Co.; and William Vittitoe, retired chairman of Washington Energy Co. The NWPPC sent the recommendations to the BPA acting administrator and also to Congress.

*[\(return to table of contents\)](#)*

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### **BPA outlines “slice” principles**

BPA has been working for several months on a different approach to federal power allocation proposed by some of BPA's large, generating-public utility customers. Called the “Slice of the System,” the proposal would give purchasers a percentage of the Federal Columbia River Power System's power capability and output in exchange for a percentage of the power system's costs. Proponents want BPA to sell “slices” of the system in subscription this summer along with traditional and new power products. BPA has outlined five principles any slice proposal must meet to protect the interests of the region and all of BPA's customers. The principles are that a slice proposal must not: 1) shift risk or costs to other Northwest purchasers, or 2) shift risk or costs to taxpayers, 3) enable slice purchasers to avoid current or future fish and wildlife costs, 4) interfere with BPA's system operation decisions, or 5) require changes in federal law.

*[\(return to table of contents\)](#)*

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### **BPA and NWPPC defer review of resource policies**

BPA and the Northwest Power Planning Council have agreed to defer for five years a review of their respective policies on testing BPA major resource acquisitions for consistency with the Council's Northwest Power Plan. BPA and the Council had said they would review the policies every five years, but both agreed to defer the review because BPA does not expect to acquire major resources in the foreseeable future. The policies implement section 6(c) of the Northwest Power Act.

*[\(return to table of contents\)](#)*

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### **BPA delivers power back to Canada**

BPA will begin delivering Canadian Entitlement power from U.S. dams to Canada on April 1. The

power is produced at U.S. dams on the Columbia from water released at three dams in Canada — Mica, Arrow (also called Keenleyside) and Duncan. British Columbia Hydro and Power Authority built the dams under the Columbia River Treaty of 1964. The U.S. and Canada share equally the increased downstream power production from Canadian water releases. Canada's share is known as the "Canadian Entitlement." At its highest point, it comes to about 520 average megawatts with peak production of 1,200 MW — roughly the power output of Bonneville Dam.

For the first 30 years of power production, Canada sold its share of the downstream power benefits to a group of 41 U.S. utilities known collectively as the Columbia Storage Power Exchange. The CSPE contracts start expiring in stages this April 1 and BPA will begin delivering the Canadian Entitlement power back to Canada. The returned power will increase over the next five years until the full entitlement is returned on April 1, 2003.

[\*\(return to table of contents\)\*](#)

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### **Issues 98 process begins in May**

BPA will issue in early May a draft of major policy issues impacting the agency in the rate period from 2002-2006. The major issues are subscription, stranded cost recovery, cost structure of the Federal Columbia River Power System, fish and wildlife funding agreement, financial strategy and transmission access. Each of these issues is currently being developed in its own separate public process. Issues 98 will give the public an opportunity to participate by looking at all the issues together. Public meetings in the region are tentatively planned in May.

[\*\(return to table of contents\)\*](#)

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### **IndeGo on hold**

The Northwest's proposed independent system operator known as IndeGo has been put on hold. In a March 5 press release, the consortium of Northwest investor-owned utilities working on IndeGo indicated that critical public policy questions, BPA's uncertain participation and the varying status of state electricity industry restructuring were among the reasons for halting work on IndeGo. BPA is concerned about the characterization that the agency was in any way responsible for IndeGo's demise. Eight of the original 21 utilities had already withdrawn because of IndeGo's cost shifts, cumbersome process and lack of benefits. None of the remaining participants had committed to join until after the Federal Energy Regulatory Commission and the states had completed review of the governance, tariff, contract and pricing structures. A group of investor-owned and public utilities, marketers, industries and others are discussing alternatives to IndeGo.

[\*\(return to table of contents\)\*](#)

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### **Fish operations begin in April**

The National Marine Fisheries Service's draft supplemental Biological Opinion, now out for review, calls for the federal hydro system to begin providing increased flows on the lower Snake River as early as April 3, depending on numbers of fish present. The draft BiOp, intended to help recently-listed threatened and endangered steelhead, also recommends establishing a flow target on the mid-Columbia beginning as early as April 10. The BiOp has shifted away from an emphasis on spring flow targets and

now assigns greater importance to refilling the storage reservoirs by June 30 to provide enough water for increased summer flows.

In addition to earlier flow operations, the draft BiOp increases the upper limit of spill at the projects. In previous years, the BiOp called for 80 percent fish passage efficiency — enough spill for 80 percent of fish to pass through the project via a spillway or a bypass facility. Once this target was met, hydro system operators could use the remaining water for power generation. The 1998 draft BiOp removes the fish passage efficiency target and, instead, calls for spill to achieve a gas supersaturation level of 120 percent. (Gas supersaturation is a measure of the amount of dissolved nitrogen gas in the water. High levels of gas may cause harm to fish.) The net effect is to substantially increase the amount of required spill compared to previous years. Spill is water that goes over the spillway of a dam rather than through turbines.

*[\(return to table of contents\)](#)*

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### **Three Sovereigns release drafts**

The Three Sovereigns panel released two versions of a draft agreement designed to improve management of fish and wildlife resources in the Columbia River Basin without changing existing laws. The public will have 60 days to comment on the drafts. The two versions are called the Three Sovereigns Fish and Wildlife Governance Process. The Three Sovereigns (state, tribal and federal governments) process was instituted to bring all relevant agencies to a single table to better coordinate Columbia Basin-wide fish and wildlife issues. Public information meetings on the draft documents will be held in Portland, the Tri-Cities and Boise in April. Other meetings currently are being scheduled. To receive the documents by mail, contact Tana Klum at the Columbia Basin Fish and Wildlife Authority at 503-326-7031. Copies of an [executive summary](#) describing the current status of the agreement and the two current versions are available.

*[\(return to table of contents\)](#)*

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### **California begins deregulation**

California moved into deregulation when the [http://www.energy.ca.gov/OSB/documents/97-05-01\\_decision.html](http://www.energy.ca.gov/OSB/documents/97-05-01_decision.html)>California Power Exchange Corporation, a non-profit corporation, opened the statewide electricity market on March 31. The California Independent System Operator also began operating the transmission systems of the state's three major investor-owned utilities. Electricity producers from western states, including BPA, are expected to buy and sell power in the state. The Power Exchange will sell about 80 percent of the electricity used in California because the state's three major investor-owned utilities are required to purchase electricity from the exchange through the year 2001. The Power Exchange announced it "will initially open with a day-ahead market, where a market price for energy is established for every hour in the following day through an electronic bidding process involving both electricity producers and purchasers." The California ISO will operate most of the state's electrical transmission system. Retail customers are able to choose their electricity supplier but most have opted to stay with their local utilities.

*[\(return to table of contents\)](#)*

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### **NW drafts restructuring legislation**

Staff to Northwest members of the U.S. House of Representatives are circulating a narrative discussion draft for a “Northwest title” in national power industry restructuring legislation. (“Northwest title” is the term used to refer to the section of national legislation that would specifically address Northwest/BPA issues.) The Northwest staff’s discussion addresses 1996 Comprehensive Review of the Northwest Energy System recommendations that might require legislation, such as a revised role for the Federal Energy Regulatory Commission in regulating BPA’s transmission, an emergency cost recovery mechanism for BPA, and limits on BPA’s resource-acquisition authority. The governors’ Transition Board, utilities, interest groups and other interested parties have been asked to comment. The draft comes from the staff of [Rep. Bob Smith](#) (R-Ore.), [Rep. Peter DeFazio](#) (D-Ore.), Rep. Doc Hastings, (R-Wash.), and [Rep. Rick White](#) (R-Wash.). The draft is intended “to preserve cost-based rates and regional preference for federal power in the Pacific Northwest by making a convincing case to Congress and the administration that the region is prepared to shoulder its fiscal and environmental responsibilities for BPA and the Columbia River Basin’s federal hydroelectric system.”

*[\(return to table of contents\)](#)*

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## **Administration issues electricity plan**

The Clinton administration released its comprehensive electricity competition plan for the nation. Parts of the plan specifically address BPA as well as the other federal power marketing agencies. The plan retains cost-based rates for BPA and the other PMAs and retains regional preference in the Northwest. It also specifically states that the Administration is favorably inclined toward recommendations made for BPA by the Comprehensive Review of the Northwest Energy System. The plan calls for retail customer choice by Jan. 1, 2003 but gives states the option to remain as they are now, supports recovery of stranded costs, sets mandatory standards for reliability, requires utilities to set uniform standards to let customers know what services the utilities are offering, and establishes at least 5.5 percent of all electricity sales be from renewable energy sources by 2010.

*[\(return to table of contents\)](#)*

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## **BPA proposes new line**

BPA will hold public meetings in April for the South Coast Reinforcement Project. BPA is proposing to build a new 500-kilovolt transmission line from Goshen, Ore., located just south of Eugene, to North Bend on the Oregon coast. The line would reinforce the entire south coast transmission system and provide the necessary transmission for [Nucor](#), an east coast steel company, to locate a new plant on the Oregon Coast. Public meetings to discuss the environmental impacts are set for mid-April. BPA signed a “Notice of Intent” to study the environmental impacts of constructing the transmission line. Nucor has not yet made a final decision to locate in Coos Bay. If Nucor decides not to build the steel mill, BPA will stop work on the proposed project. The agency will, however, continue to study the issue of upgrading the transmission system to the southern Oregon coast for anticipated growth.

*[\(return to table of contents\)](#)*

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## **Public Involvement**

### **Status Reports**

**BPA/Lower Valley Transmission Project.** Idaho and Wyoming — To resolve a voltage stability problem in the Jackson and Afton, Wyo. areas; new 115-kV line proposed on existing right-of-way. A final EIS is being prepared. Call to be added to the mail list.

**Big Eddy-Ostrander Vegetation Management EA.** Oregon — To control vegetation on two segments of the 500-kV transmission line right-of-way. One segment is from Lolo Pass to near Parkdale. The other segment is east of Parkdale. The Forest Service is a partner. An EA is being prepared. Call to be added to the mail list.

**Bonneville-Hood River Vegetation Management EA.** Oregon — To control vegetation on the 115-kV transmission line right-of-way between Bonneville Dam and Hood River in the Columbia Gorge Scenic Area. The Forest Service is a partner. An EA is being prepared. Call to be added to the mail list.

**Columbia Windfarm #1.** Washington — The final EIS (#2682) is available. Call to receive a copy.

**Fourmile Hill Geothermal Development Project EIS (Calpine).** Northern California — A geothermal power plant and new transmission line have been proposed on Forest Service land in the Klamath and Modoc forests. BLM has the lead and BPA is a cooperating agency. A summary of the draft EIS is available. Call to be added to the mail list.

**Grande Ronde River Spring Chinook Project.** Oregon — Spring chinook supplementation program. The preliminary EA (#3018) is available. Call to receive a copy. See Close of Comment.

**Johnson Creek Artificial Propagation Enhancement.** Idaho — Development of a native chinook salmon broodstock for rearing and release of acclimated smolts to preserve and recover the population. An EA is being prepared. Call to be added to the mail list.

**Northwest Regional Power Facility.** Washington — To construct a combustion turbine near Creston. The final EIS (#2887) and a Supplement Analysis is available. Call to receive a copy.

**Select Area Fisheries Evaluation.** Oregon and Washington — Placement of net pens in Clifton Channel, Deep River and Steamboat Slough. A revised FONSI is being prepared. Call to be added to the mail list.

**South Oregon Coast Reinforcement EIS.** Oregon — To reinforce electrical service to the southern coast of Oregon and provide the necessary transmission for Nucor Corporation to build a new steel mill in the Coos Bay/North Bend area. The BLM, Forest Service and Corps of Engineers are cooperating agencies. A draft EIS is being prepared. Call to be added to the mail list. See Calendar of Events and Close of Comment.

**Telephone Flats Geothermal Project EIS (Calenergy).** Northern California — A geothermal power plant and new transmission line have been proposed on Forest Service land in the Modoc Forest. BLM has the lead and BPA is a cooperating agency. The draft EIS is being prepared. Call to be added to the mail list.

**Upper Snake River Fish Culture Facility.** Idaho — A proposal to purchase a tribal hatchery for redevelopment of Yellowstone cutthroat and redband trout. The EA/FONSI (#1213) is available. Call to receive a copy.

**Vegetation Management Program EIS.** Regionwide — To develop a vegetation management program

that is cost-effective, consistent, efficient and environmentally sensitive while maintaining a safe and reliable transmission system. The Forest Service and BLM are cooperating agencies. The draft EIS is being prepared. Call to be added to the mail list.

**Yakima River Basin Water Enhancement Project Programmatic EIS.** Washington — The Bureau of Reclamation is taking the lead on this project. BPA is a cooperating agency. The draft programmatic EIS is being prepared. For further information, contact John Tiedeman, BOR, at (509) 575-5848 ext. 238.

*(return to table of contents)*

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## CALENDAR OF EVENTS

**Future Fish and Wildlife Funding Options: April 6, 9 a.m. - 4:30 p.m.,** Shilo Inn, 11707 NE Airport Way, Portland, Ore.; **April 10, 9 a.m. - 4:30 p.m.,** Statehouse Inn, 981 Grove, Boise, Idaho.

**South Oregon Coast Reinforcement Public Meetings: April 14,** Creswell Community Center, 99 South First, Creswell, Ore.; **April 15,** Masonic Lodge Hall, 247 First St., Elkton, Ore.; **April 16,** North Bend Community Center, 2222 Broadway, North Bend, Ore. **All meetings will be held from 4 p.m. - 8 p.m.**

## CLOSE OF COMMENT

South Oregon Coast Reinforcement Project: **May 8**

*(return to table of contents)*

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### Acronyms:

EA: Environmental Assessment

EIS: Environmental Impact Statement

FONSI: Finding of No Significant Impact

NOI: Notice of Intent

ROD: Record of Decision

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We welcome all comments from you at Journal-CKC, Bonneville Power Administration, P.O. Box 3621, Portland, OR 97208-3621 or [enballa@bpa.gov](mailto:enballa@bpa.gov).

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### For More Information or To Get Involved:

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*[\(return to table of contents\)](#)*

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